



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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June 28, 2017

Mr. Devon Bell, Sheriff
Placer County Sheriff's Office
2929 Richardson Drive
Auburn, CA 95603

Re: Inmate Welfare Trust Review

Dear Sheriff Bell:

The Internal Audit Division of the Auditor-Controller's Office recently performed a review the Inmate Welfare Trust for the fiscal year ended June 30, 2016. Our responsibility is to conduct the compliance review in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards) established by the Institute of Internal Auditors. The objectives of our review were to determine whether proper internal controls have been designed to safeguard assets, prevent and/or detect fraud and/or abuse from occurring, and whether those internal controls have been placed into operation and are operating as designed; accounting records and financial reports are accurate and adequate; transactions recorded have complied with Government Code, Penal Code, and County Policies.

Based on our review, which consisted of inquiries of various staff regarding processes and procedures employed by the Office, and physical inspection of Inmate Welfare Trust related records, it appears internal controls are operating as designed and except for the observations noted below, transactions were recorded in compliance with Government Code, Penal Code, and County Policies. Our summary of observations and recommendations are as follows.

Escheating Unclaimed Funds

During our review, we noted the Sheriff's Office does not have a process in place to escheat unclaimed funds from the inmate Umpqua Bank Account, as required per Government Code Section 50050 – 50057. Additionally, we noted the Office has not escheated unclaimed funds from the inmate account for several years.

We recommend the Office work with the Auditor's Office to implement a process to review and escheat inmate unclaimed funds.

Office's Response:

The Sheriff's Office has been working on escheating unclaimed funds with the vendor of the canteen software. The software has the ability to move escheated funds out of inmate accounts and hold them until all documentation is complete. We have met with canteen staff and have started the escheating process. At this time we have the first run of escheated funds ready to send to the State.

Deposits

During our review, we noted the Office receives checks frequently throughout the month. However, the Office is not depositing checks daily into the County Treasury per Placer County Code Section 4.04.060.

We recommend the Office deposit checks daily into the County Treasury upon receipt. If a weekly deposit is preferred, the Office must request approval from the Auditor-Controller, per County Code. Until checks are deposited, they should be secured in a safe or locked cabinet when unattended, with access provided to only a few employees.

Office's Response:

The Sheriff's Office is in the process of requesting a deviation from County policy, which would provide our office with a weekly deposit exception (request forwarded to the Auditor on June 28, 2017). All moneys waiting to be deposited are kept in a locked safe, accessible by accounting staff only.

Segregation of Duties

During our review, we noted three Jail Corrections and Detentions employees perform several key accounting functions for the Umpqua Bank Account. These key accounting functions include depositing money, processing checks, and performing the monthly bank reconciliation.

We recommend an employee separate from the above functions receive the bank statement and perform the monthly Umpqua Bank reconciliation to strengthen internal controls related to segregation of duties.

Office's Response:

There are 3 employees that perform key accounting function for the Umpqua Bank Account because we have 2 locations and work an alternate work schedule that could require all 3 to process checks, or deposit money in a month or even a week. It may not be possible to eliminate one of the employees from the duties involved in working with the Umpqua Bank account, as checks that are issued could be needed at a moment's notice. Past practice was to have one of the jail staff do the reconciliation and send it to our Accountant-Auditor and he/she would validate the reconciliation by doing their own reconciliation and verifying the jail numbers. Moving forward we will have the Accountant-Auditor in our fiscal unit do the reconciliation.

Revenue Recognition

During our review of Inmate Welfare deposits, we noted several instances of revenue not being recorded in the proper accounting period.

Going forward, we recommend the Office timely review deposits, especially at fiscal year-end, to ensure revenue is accurately recorded in the proper accounting period.

Office's Response:

The Inmate Welfare is a trust account, therefore, year-end isn't an issue as funds roll from year to year. By making weekly deposits we will be minimizing the cross over between accounting periods.

Review Process

During our review, we noted instances of improper coding and duplicate vendor payments that were undetected by the Office's review process.

Going forward, we recommend the Office's review process include a detailed review of the documents coding and all supporting documentation. We also recommend the Office establish a method to log/track vendor invoices to ensure duplicate payments are not processed.

Office's Response:

Office procedure is to have the Commissary person match the invoices to the orders and stamps, and approve the invoice for payment. Only then do the jail accounting staff pay the bill. When the refund was returned, jail staff realized that PAS didn't catch the duplicate invoice and the second invoice also was not approved. At that time they made changes in their processing to make sure all invoices have the approval stamp. This is the only time our jail staff can recall this having ever happened.

The Office's responses to our recommendations identified by our review are included above. We did not audit the Office's responses and, accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Office's staff throughout the course of this review.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Nicole C. Howard', with a stylized, wavy line for the last name.

Nicole C. Howard
Assistant Auditor-Controller

cc: Mark Giacomini, Administrative Services Manager
Rosie Dreher, Senior Administrative Services Officer
Placer County Audit Committee